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SOME PRINCIPLES OF SALARY ADMINISTRATION

as found in Industry
and
as recommended by Government-wide Committees

Most industrial and commercial organizations will not release detailed information on their wage and salary policies. The general picture on industry relative to salaries is discernible, however, because of surveys conducted by industry itself. Without identifying companies, articles are written, reports made, etc., that summarize broad findings on non-Government compensation practices. Likewise, basic principles and theories have been advanced by several important Government-wide Committees and Commissions.

1. Fewer Grades for Professional People

The Hoover Commission recommended combining grades GS-1 through GS-6 into three grades and GS-7 through GS-11 into three grades. Thus eleven grades are reduced to six.

Robert E. Sibson, Personnel Manager for Schick, Inc., expresses the objective for industry very well in an article on salary administration appearing in the Harvard Business Review, November-December 1956: "Starting with the overall range of jobs from the highest to the lowest value, the objective is to group positions that are more or less similar in one grade. If the grades are too broad, dissimilar jobs will be grouped together and receive the same pay range. On the other hand, if too many grades are established, administrative difficulties are multiplied and companies are forced to make very fine distinctions in slotting basically similar positions into different grades."

2. Extensions of Salary (Grade) Ranges:

In theory, the breadth of a given grade in dollars should encompass the individual differences of incumbents performing at that grade. Merck and Company expresses it this way: "The number of step increases in each range is limited to the number of degrees of performance which can be readily ascertained." They use "five step rates...and six for certain of the higher levels." In terms of percentage of spread from a base figure, Carrier Corporation indicates, "At the lower end the salary rate spread between the minimum and maximum is about 30%." This increases to a little over 50% in the top groups." Earl F. Paul, Supervisor, Wage and Salary Section, Standard Oil Company of Indiana, indicated his view before the National Industrial Conference Board, February 1957, "... salary ranges generally have a spread of from 30% to 50% with an overlap to the next grade of about one-half to slightly more than one-half." In general, the most quoted references on industry pay practices are those conducted by the American Management Association. A 1956 report by this group on over 400 American industries disclosed that grade ranges of from 30% to 60% were not uncommon. Likewise, the Defense Advisory Committee on Professional and Technical Compensation (the

Cordiner Committee) after screening 93 industrial firms focused carefully on 26 large American corporations and found:

7	companies	range	between	20% - 30%	above	minimum
7	"	"	"	30% - 40%	"	"
5	"	"	"	40% - 50%	"	"
7	"	"	"	50% - 74%	"	"

3. Elimination of Periodic Pay Increases:

Various Committees of Government - i.e., White House Committee, Hoover Committee, and the Cordiner Committee - in recent time all uncovered the same situation stated in the following quote: "He (the average worker) progresses through the salary range for his grade level on the basis of length of service in that grade. Merit comes into play only in promotion from one grade to another." In industry, by contrast, these Committees learned that in-grades were awarded on a man's work performance. In short, merit pay increases indicate standard practice in compensation.

4. Merit Step Increases:

Upon advancement from one grade level to the next, presumably professional growth is reflected. Measurable growth not occurring rapidly requires that a man remaining in his grade should receive merit increases from time to time. Earl F. Paul, Standard Oil Company of Indiana, defines these terms as follows: "When their experience (he speaks of professionals) and performance warrants it, these employees are moved into the next professional classification by what might be called a 'growth promotion'. The growth promotions differ from regular promotions in that they do not involve replacements for vacated jobs. In the interim, while acquiring the experience needed for a growth promotion, merit increases within the limits of prevailing salary ranges are available." The Committee on Engineers and Scientists for Federal Government Programs reported in April 1957, on the subject. "Furthermore, the present system does not provide for merit increases to select individuals, but only periodic increases based on seniority. (Ninety percent of the scientists and engineers participating in the attitude survey feel that better performance warrants higher pay.)" Thus sufficient findings exist both in theory and in practice to support the contention that within-grade advancement should be based primarily on merit. But here is a final thought gleaned from the aforementioned Cordiner Report: "Progress of an employee between the minimum or the in-hiring and the maximum rate, almost without exception, is reported as being on the basis of merit. A few firms reported progress within the range was based on length of service; several indicated it was based on a combination of merit and length of service and some instances were reported whereby advancements within the first part of the range were automatic (assuming satisfactory service) and advancement in the higher part of the range was based on merit."